

**REPORT OF THE AUDIT OF THE
TRIMBLE COUNTY
SHERIFF'S SETTLEMENT - 2003 TAXES**

April 16, 2004



**CRIT LUALLEN
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
TRIMBLE COUNTY
SHERIFF'S SETTLEMENT - 2003 TAXES

April 16, 2004

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2003 Taxes for Trimble County Sheriff as of April 16, 2004. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$2,836,923 for the districts for 2003 taxes, retaining commissions of \$116,770 to operate the Sheriff's office. The Sheriff distributed taxes of \$2,720,682 to the districts for 2003 Taxes.

Report Comments:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were uninsured and uncollateralized by bank securities by \$62,917 on November 6, 2003.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary Finance and Administration Cabinet
Honorable Randy Stevens, Trimble County Judge/Executive
Honorable Tim Coons, Trimble County Sheriff
Members of the Trimble County Fiscal Court

Independent Auditor's Report

We have audited the Trimble County Sheriff's Settlement - 2003 Taxes as of April 16, 2004. This tax settlement is the responsibility of the Trimble County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Trimble County Sheriff's taxes charged, credited, and paid as of April 16, 2004, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated July 29, 2004, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary Finance and Administration Cabinet

Honorable Randy Stevens, Trimble County Judge/Executive

Honorable Tim Coons, Trimble County Sheriff

Members of the Trimble County Fiscal Court

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen

Auditor of Public Accounts

Audit fieldwork completed -
July 29, 2004

TRIMBLE COUNTY
TIM COONS, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2003 TAXES

April 16, 2004

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 158,178	\$ 315,180	\$ 1,138,436	\$ 296,305
Tangible Personal Property	3,229	8,285	21,711	17,825
Intangible Personal Property				4,921
Fire Protection	1,240			
Franchise Corporation	85,172	183,315	599,200	
Limestone, Sand, and Mineral Reserves	42	82	302	79
Bank Franchises	20,529			
Penalties	1,915	3,821	13,698	3,603
Adjusted to Sheriff's Receipt	<u>(29)</u>	<u>(55)</u>	<u>(233)</u>	<u>(58)</u>
Gross Chargeable to Sheriff	<u>\$ 270,276</u>	<u>\$ 510,628</u>	<u>\$ 1,773,114</u>	<u>\$ 322,675</u>
<u>Credits</u>				
Exonerations	\$ 439	\$ 854	\$ 3,163	\$ 823
Discounts	2,566	4,311	15,348	4,214
Delinquents:				
Real Estate	636	1,292	4,578	1,191
Tangible Personal Property	<u>22</u>	<u>56</u>	<u>147</u>	<u>130</u>
Total Credits	<u>\$ 3,663</u>	<u>\$ 6,513</u>	<u>\$ 23,236</u>	<u>\$ 6,358</u>
Taxes Collected	\$ 266,613	\$ 504,115	\$ 1,749,878	\$ 316,317
Less: Commissions *	<u>11,619</u>	<u>21,425</u>	<u>69,995</u>	<u>13,731</u>
Taxes Due	\$ 254,994	\$ 482,690	\$ 1,679,883	\$ 302,586
Taxes Paid	255,089	483,275	1,679,769	302,549
Refunds (Current and Prior Year)	<u>20</u>	<u>39</u>	<u>143</u>	<u>37</u>
Due Districts or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ (115)</u>	<u>\$ (624)</u>	<u>\$ (29)</u>	<u>\$ 0</u>

* and ** see page 4

The accompanying notes are an integral part of this financial statement.

TRIMBLE COUNTY
TIM COONS, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2003 TAXES
April 16, 2004
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	1,077,045
4% on	\$	1,749,878

** Special Taxing Districts:

Library District	\$	(892)
Extension District		(480)
Watershed District		<u>748</u>
Due Districts or (Refunds Due Sheriff)	\$	<u><u>(624)</u></u>

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT

April 16, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of November 6, 2003, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$62,917 of public funds uninsured and unsecured.

TRIMBLE COUNTY
 NOTES TO FINANCIAL STATEMENT
 April 16, 2004
 (Continued)

Note 2. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official or as of November 6, 2003.

	<u>Bank Balance</u>
FDIC Insured	\$ 200,000
Collateralized with securities held by the county official's agent in the county official's name	1,664,660
Uncollateralized and uninsured	<u>62,917</u>
Total	<u>\$ 1,927,577</u>

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2003. Property taxes were billed to finance governmental services for the year ended June 30, 2004. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 29, 2003 through April 16, 2004.

Note 4. Interest Income

The Trimble County Sheriff earned \$1,308 as interest income on 2003 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office. As of July 29, 2004, the Sheriff owes \$24 in interest to the school district.

Note 5. Sheriff's 10% Add-On Fee

The Trimble County Sheriff collected \$20,231 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Trimble County Sheriff collected \$483 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The advertising fees will be used to operate the Sheriff's office.

COMMENTS AND RECOMMENDATIONS

TRIMBLE COUNTY
TIM COONS, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

As of April 16, 2004

STATE LAWS AND REGULATIONS:

The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On November 6, 2003, \$62,917 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

Sheriff Coon's Response:

We will make sure that the pledge of security will be adequate.

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

Lacks Adequate Segregation Of Duties

The Sheriff's office has a lack of segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions the official has limited options for establishing an adequate segregation of duties. However, the lack of adequate segregation of duties is hereby noted as a reportable condition pursuant to professional auditing standards. We believe this reportable condition as described above is a material weakness. We recommend that the following compensating controls be implemented to offset this internal control weakness:

- The Sheriff should periodically agree daily tax collections totals to receipts ledger and deposit slip.
- The Sheriff should compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled.
- The Sheriff should agree monthly tax reports to receipts ledger and disbursements ledger.

Sheriff Coon's Response:

None.

PRIOR YEAR:

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESS:

Lacks Adequate Segregation Of Duties

This has not been corrected and is repeated.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Randy Stevens, Trimble County Judge/Executive
The Honorable Tim Coons, Trimble County Sheriff
Members of the Trimble County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Trimble County Sheriff's Settlement - 2003 Taxes as of April 16, 2004, and have issued our report thereon dated July 29, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Trimble County Sheriff's Settlement - 2003 Taxes as of April 16, 2004 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Trimble County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involves matters coming to our attention relating to significant deficiencies in the design



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comments and recommendations.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
July 29, 2004

